

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOHN W. PARSONS, ESQ., *Executive Director*

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MEMORANDUM

TO: Norwood Retirement Board

FROM: John W. Parsons, Esq., Executive Director

RE: Approval of Funding Schedule

DATE: December 10, 2020

This Commission is hereby furnishing you with approval of the revised funding schedule the Board recently adopted (copy enclosed). The schedule is effective in FY21 (since the amount under the prior schedule was maintained in FY21) and is acceptable under Chapter 32.

The System reduced the investment return assumption from 7.75% to 7.60%. We have generally recommended an assumption between 6.90% and 7.15% for our 2020 local system valuations. For comparison, there are currently 65 systems using an assumption of 7.25% or below. An additional 25 systems use an assumption of 7.30% - 7.50%. The 7.60% assumption is at the high end of PERAC's reasonable range of investment return assumptions as of January 1, 2020.

The System continued to maintain the fully generational mortality assumption adopted in 2016. That assumption is based on an experience study performed by your actuary. The mortality assumption we use for other local systems is based on our analysis of State retirees and reflects longer life expectancy than the assumption you adopted. Your actuarial valuation also reflects the adoption of other demographic assumptions based on the experience study. We have not performed a recent experience analysis for local systems to compare our findings with the results of your actuary's study, although we completed a study of retiree mortality for local systems in 2019. Your assumptions are less conservative than the current standard PERAC assumption set, which we continue to believe is reasonable.

In our four prior approval memorandums, we indicated that we had concerns about the salary increase assumption. Once again, this valuation used a salary increase assumption of 3.0%. We expect over the long term that this assumption will need to be increased (and/or the investment return assumption decreased) which will increase plan liabilities.

If you have any questions, please contact PERAC's Actuary, John Boorack, at (617) 666-4446, extension 935.

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Appropriation Forecast

Fiscal Year	Employee Contribution	Employer Normal Cost with Interest	Amortization Payments with Interest	Employer Total Cost with Interest	Employer Total Cost % of Payroll	Unfunded Accrued Liability	Funded Ratio %**
2021	\$3,228,904	\$816,965	\$4,654,245	\$5,471,210	14.9	\$47,224,704	78.2
2022	\$3,395,013	\$810,959	\$5,190,770	\$6,001,729	15.7	\$45,721,583	80.7
2023	\$3,569,245	\$803,166	\$5,399,379	\$6,202,545	15.6	\$43,859,290	83.1
2024	\$3,751,984	\$793,451	\$5,616,376	\$6,409,827	15.5	\$41,640,971	85.3
2025	\$3,943,630	\$781,675	\$5,842,099	\$6,623,774	15.4	\$39,030,945	87.4
2026	\$4,144,605	\$767,687	\$6,076,899	\$6,844,586	15.3	\$35,990,469	89.3
2027	\$4,355,349	\$751,329	\$6,321,142	\$7,072,471	15.2	\$32,477,496	91.2
2028	\$4,576,320	\$732,434	\$6,575,206	\$7,307,640	15.1	\$28,446,409	92.9
2029	\$4,808,001	\$710,826	\$6,573,260	\$7,284,086	14.4	\$23,847,731	94.5
2030	\$5,050,894	\$686,316	\$6,836,190	\$7,522,506	14.3	\$18,901,463	96.0
2031	\$5,305,526	\$658,709	\$7,109,638	\$7,768,347	14.2	\$13,308,931	97.4
2032	\$5,572,446	\$627,796	\$7,338,603	\$7,966,399	14.0	\$7,010,205	98.8
2033	\$5,852,232	\$593,355	\$0	\$593,355	1.0	(\$0)	100.0
2034	\$6,145,484	\$555,154	\$0	\$555,154	0.9	(\$0)	100.0
2035	\$6,452,834	\$512,948	\$0	\$512,948	0.8	(\$0)	100.0
2036	\$6,774,938	\$466,477	\$0	\$466,477	0.7	(\$0)	100.0
2037	\$7,112,486	\$415,468	\$0	\$415,468	0.6	(\$0)	100.0
2038	\$7,466,198	\$359,632	\$0	\$359,632	0.5	(\$0)	100.0
2039	\$7,836,827	\$298,664	\$0	\$298,664	0.4	\$0	100.0
2040	\$8,150,300	\$310,611	\$0	\$310,611	0.4	\$0	100.0
2041	\$8,476,312	\$323,035	\$0	\$323,035	0.4	\$0	100.0
2042	\$8,815,365	\$335,957	\$0	\$335,957	0.4	\$0	100.0
2043	\$9,167,979	\$349,395	\$0	\$349,395	0.4	\$0	100.0
2044	\$9,534,698	\$363,371	\$0	\$363,371	0.4	\$0	100.0
2045	\$9,916,086	\$377,906	\$0	\$377,906	0.4	\$0	100.0
2046	\$10,312,730	\$393,022	\$0	\$393,022	0.4	\$0	100.0
2047	\$10,725,239	\$408,743	\$0	\$408,743	0.4	\$0	100.0
2048	\$11,154,249	\$425,092	\$0	\$425,092	0.4	\$0	100.0
2049	\$11,600,419	\$442,096	\$0	\$442,096	0.4	\$0	100.0
2050	\$12,064,435	\$459,780	\$0	\$459,780	0.4	\$0	100.0
2051	\$12,547,013	\$478,171	\$0	\$478,171	0.4	\$0	100.0
2052	\$13,048,893	\$497,298	\$0	\$497,298	0.4	\$0	100.0

** Beginning of Fiscal Year